

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57901

CITY OF UNION GAP

Yakima County, Washington

January 1, 1994 Through December 31, 1995

Issue Date: December 20, 1996

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CITY OF UNION GAP
Yakima County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

City Council
City of Union Gap
Union Gap, Washington

We have audited the financial statements, as listed in the table of contents, of the City of Union Gap, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated September 20, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the city's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the city complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

September 20, 1996

CITY OF UNION GAP
Yakima County, Washington
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. Public Funds Were Misappropriated From The Municipal Court

Our audit of the financial records of the Municipal Court of the City of Union Gap revealed that at least \$250 in public funds was misappropriated by a clerk in July 1996. There were no federal funds involved in this case.

In September 1996, city management officials notified us of a theft of cash receipts at the Municipal Court. After the city investigated this loss, the responsible clerk confessed to the misappropriation of \$250 during the period of her employment at the court. Her employment with the city was immediately terminated. During our audit, we reviewed the work performed by the city and agreed with their findings and conclusions. These funds were misappropriated as described below.

Cash receipts from customer payments made to the Municipal Court were taken by a clerk. When defendants made time payments, the clerk did not record the transaction in the District Court Information System (DISCUS) accounting system. Therefore, a system-generated cash receipt was not issued for these payments. This loss was subsequently discovered when defendants came in the following month to make another time payment and found that their previous transaction had not been properly recorded in DISCUS.

The City of Union Gap's internal controls promptly detected these losses. However, the city entered into a formal agreement with the court clerk stating that they would not prosecute her for this theft after she made restitution of the loss amount to the city. In addition, the city did not notify the State Auditor's Office of this action until after this agreement had been made with the clerk.

The City of Union Gap has a personnel dishonesty bonding policy for all employees. However, this loss was not covered by the bonding company because it was less than the deductible provision of the policy.

RCW 42.20.070 states:

Misappropriation and falsification of accounts by public officer. Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town or any school, diking, drainage, or irrigation district, who:

(1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or

(2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her, or

(3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

RCW 43.09.260 states in part:

Local government accounting-Examination of local governments-Reports-Action by attorney general . . . It shall be unlawful for any local government or the responsible head thereof, to make a settlement or compromise of any claim arising out of such malfeasance, misfeasance, or nonfeasance, or any action commenced therefor, or for any court to enter upon any compromise or settlement of such action, without the written approval and consent of the attorney general and the state auditor.

We recommend the City of Union Gap refrain from entering into any settlement agreement with an employee in cases involving losses of funds without the written approval and consent of the Attorney General's Office and the State Auditor's Office. We further recommend the Washington State Office of the Attorney General and the Yakima County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances.

Auditee's Response

The City of Union Gap agrees to notify and obtain written approval from the Attorney General's Office and the State Auditor's Office, if in the future this becomes necessary, prior to settling any losses of public funds.

Auditor's Concluding Remarks

We wish to thank the city officials and staff for their cooperation and quick response to our recommendations. We will review the action taken during our next audit.

CITY OF UNION GAP
Yakima County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

City Council
City of Union Gap
Union Gap, Washington

We have audited the accompanying statements of Fund Resources and Uses Arising from Cash Transactions of the various funds of the City of Union Gap, Yakima County, Washington, for the fiscal years ended December 31, 1995 and 1994. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the city prepares its financial statements on the cash basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the recognized revenues and expenditures of the funds of the City of Union Gap for the fiscal years ended December 31, 1995 and 1994, on the cash basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt and Schedules of State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

September 20, 1996